



LOCAL AGENCY FORMATION COMMISSION

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April 10, 2018

To: LAFCO Commissioners
From: Martha Poyatos, Executive Officer
Subject: Consideration of Adoption of Proposed LAFCO Budget for Fiscal Year 2018-19

Summary

Consider the Proposed 2018-19 Appropriations Budget of \$509,442, which includes a Net Operating Budget of \$376,639 resulting in a one-third apportionment of \$125,546 to the County, cities, and independent special districts. Following public comment, it is recommended that the Commission adopt the Proposed Budget with any desired amendments and direct the Executive Officer to (1) schedule consideration of the Final Budget for public hearing at the May 16 Commission meeting and (2) distribute it to the County, cities, and independent special districts.

Budget Review Schedule and Background

Section 56381 of the Cortese-Knox-Hertzberg Local Government Reorganization Act (the Act), which covers adoption of the LAFCO budget, requires Commission consideration of both a Proposed and Final budget at the following intervals:

1. By May 1, the Commission shall adopt a "Proposed" Budget at a noticed public hearing following circulation of the Proposed Budget to the County, cities, and independent special districts.
2. By June 15, the Commission shall adopt a "Final" Budget at a noticed public hearing following circulation of the recommended Final Budget to the County, cities, and independent special districts.

The Act also provides that the Proposed and Final Budgets shall be equal to the budget adopted for the previous fiscal year unless the Commission finds that reduced staffing or program costs will nevertheless allow the Commission to fulfill the purposes and programs of the Act. There is also a provision for carryover of unused funds to the subsequent year's budget, and the Act

COMMISSIONERS: MIKE O'NEILL, CHAIR, City ▪ ANN DRAPER, VICE CHAIR, Public ▪ JOSHUA COSGROVE, Special District ▪ RICH GARBARINO, City
 DON HORSLEY, County ▪ JOE SHERIDAN, Special District ▪ WARREN SLOCUM, County

ALTERNATES: KATI MARTIN, Special District ▪ HARVEY RARBACK, City ▪ SEPI RICHARDSON, Public ▪ DAVE PINE, County

STAFF: MARTHA POYATOS, EXECUTIVE OFFICER ▪ REBECCA ARCHER, LEGAL COUNSEL ▪ JEAN BROOK, COMMISSION CLERK

requires that the LAFCo net operating budget be apportioned in thirds to the County, the cities, and the independent special districts¹. Also, because the Proposed and Final Budgets are adopted before the end of the fiscal year and include an estimate of fund balance carryover, once the current fiscal year closes and the actual fund balance carryover is determined, the Commission must consider revisions to the budget to reflect application of the actual fund balance carryover.

The Commission's budget is based on costs associated with LAFCo's contract with the County of San Mateo for staffing, offices, supplies, legal counsel, and other services. On April 3, the Budget Committee reviewed the attached proposed budget and recommended that it be considered for approval by the full Commission. The budget document includes the 2015-16, 2016-17, and 2017-18 budget information and the draft Proposed 2018-19 Fiscal Year Budget.

The Budget Committee, with Commissioner Cosgrove absent, considered the recommendation to appropriate funds for this purpose and supported the recommendation. While Commissioner Cosgrove was unable to attend the meeting, he indicated he had reviewed the budget and supported it as drafted.

Estimated Actual 2017-18 Budget

The 2017-18 Adopted Budget includes appropriations for the Executive Officer position; Commission meetings; County Counsel; general operating expenditures including rent, supplies, etc.; travel; meetings; a partial year of the half-time Executive Secretary position; and partial year of the Management Analyst position approved by the Commission. In approving the 2017-18 Adopted Budget, the Commission authorized a full-time Management Analyst position (replacing the half-time Executive Secretary position) that was anticipated to be filled during the fiscal year. Funds for this new position were set aside in reserve along with the anticipated unused portion of the Executive Secretary salary and benefits. This position has not yet been filled resulting in salary savings. In addition, there will be additional salary savings because the Commission's Executive Secretary, Jean Brook, has given notice with her last day being April 13, 2018. LAFCo will receive staff support for Commission meetings from San Mateo County Planning and Building or other departments.

In addition to salary savings, expenditures are less than budgeted primarily due to savings resulting from less-than-budgeted County Counsel charges and an unspent 3 percent reserve. It is estimated that actual appropriations will be \$109,803 less than adopted as a result.

On the revenue side, funds include fund balance carryover, application fees (estimated to come in \$7,000 under the projected amount), and intergovernmental revenue from the County, cities, and independent special districts.

¹ Apportionment of the one-third shares to individual cities and special districts is calculated by the County Controller based on a proportionate share of revenues reported in the most recent edition of the State Controller's reports on cities and special districts. These reports are not yet available. For estimation purposes, agencies can use the apportionment share calculated by the County Controller for Fiscal Year 2017-18.

As noted below, based on estimated revenues and expenditures, the estimated fund balance carryover to be applied to the 2018-19 Fiscal Year is \$102,803.

Proposed 2018-19 Budget

Salary and Benefits

Salary and benefits of \$401,331 reflects the Executive Officer position, full-time Management Analyst, and Commissioner stipend. It is anticipated that the Management Analyst position will be filled at the beginning of the fiscal year. Administrative support for LAFCo meetings will be provided by the Planning and Building Department or other County department. Estimates for this service are not yet available and will be need to be included under "Services and Supplies" in the Final Budget to be considered at the May 16 meeting.

Services and Supplies

The Commission's contract with the County of San Mateo includes staffing, office space, and related services. With the exception of the Controller Administrative Fees (Account 5872), expenditures reflect service charges provided by County departments. An adjustment may be made to this account prior to the May meeting. As noted above, charges will also be adjusted for meeting support from the Planning and Building Department or other County department.

Charges from outside agencies include Memberships (Account 5331), which includes California Association of Local Agency Formation Commissions (CALAFCO) membership, California Special Districts Association (CSDA) membership, and liability insurance (Account 6725) purchased from the California Special District Risk Management Authority (SDRMA).

Meetings and Conferences

The Meetings and Conferences appropriation is set at \$9,000 based on the annual CALAFCO conference and workshop venues and attendance by four commissioners and the Executive Officer at the annual conference and two staff members at the annual workshop.

A-87 Charges

A-87 is an Office of Management and Budget (OMB) circular or guideline that sets forth principles and standards for the determination of costs applicable to County programs funded by the Federal and State governments. Under the circular, the County has to observe uniformity in its allocation of costs, that is, the County cannot be selective in the allocation process whereby externally (State and Federal) funded programs are not charged equitably. Also referred to as the Countywide Cost Allocation Plan, the County uses A-87 guidelines to obtain reimbursement from Federal, State, and non-General Fund programs for departments that do not charge directly for services rendered. For example, the Controller's Office does not charge departments for payroll services. However, the cost of providing payroll services to Non-

General Fund Departments and programs receiving funds from the Federal and State governments for this specific purpose is recovered through A-87. The A-87 formula for 2018-19 allocates \$6,640 compared to \$10,250 in the current fiscal year.

Reserve

Staff recommends appropriating the customary 3 percent reserve only in this fiscal year.

Application of Fund Balance

The Commission's practice regarding fund balance has been to appropriate all or a portion of the fund balance for consulting and/or special reserve and use a portion to offset the net operating budget, thereby reducing to the extent possible the funding obligation of the County, cities, and independent special districts. In preparing the annual budget, staff has been mindful of balancing the fiscal impact of the LAFCo budget on funding entities with the Commission's purpose to carry out mandated processing of applications and preparation of Municipal Service Reviews and sphere studies.

This year's estimated fund balance carryover is \$102,803. The Proposed Budget for 2018-19 includes the customary 3 percent reserve of \$14,838 with no appropriation for consulting or special reserve. Addition of the full year of the Management Analyst position (\$156,101) is offset by the fund balance, thereby mitigating increases to the funding agencies.

Recommendation

1. Open the public hearing and accept public comment.
2. Consider and approve by resolution the attached Proposed Budget of \$509,442.
3. Direct the Executive Officer to schedule the Final 2018-19 Budget for a public hearing at the May 16, 2018 Commission meeting and circulate it with any necessary amendments to the County, cities, and independent special districts.

Attachment: Spreadsheet and Narrative

Distribution: County of San Mateo, Cities, Independent Special Districts

LAFCO PROPOSED 2018-19 BUDGET NARRATIVE

The following provides a narrative to the budget spreadsheet and reflects costs associated with LAFCo's contract with the County of San Mateo for staffing, office space, supplies, and legal counsel.

Salary & Benefits (4111 through 4161)

Salary and benefits of \$401,331 includes the County position of Principal Management Analyst that serves as Executive Officer by contract with the County, Management Analyst salary and benefits, Executive Officer administrative leave cash out, and Commissioner stipend of \$100 per bi-monthly meeting. Salary and benefits increases reflect the County's Salary Schedule.

Services & Supplies

Outside Printing (5191)

Appropriation of \$1,000 for copying and printing by outside print shops for special community mailings or workshop distribution of MSRs that cannot be distributed electronically.

General Office Supplies (5193)

A flat appropriation of \$500 for incidental office supplies provided to LAFCo.

Photocopy (5196)

A flat appropriation of \$500 for incidental copies made from the Planning Department copier where the LAFCo office is located.

Postage & Mailing (5197)

Appropriation of \$1,200 for postage/ mailing service through the County mailroom.

Memberships (5331)

Estimated dues of \$7,714 for CALAFCO and CSDA.

Legal Advertising (5341)

Appropriation of \$1,500 for legal notices published in newspapers for LAFCo hearing items that require notice.

Mileage Allowance (5712)

Appropriation of \$250 for mileage reimbursement for staff attendance at off-site meetings or site visits.

Video Recording of Commission Meetings

\$2,000 based on minimum of 4 hours at \$50 per hour. Six regular meetings of various duration and one potential additional meeting.

Meetings & Conferences (5721)

Appropriation of \$9,000 for Commission and staff attendance and travel related to CALAFCO Annual Workshop and Staff Workshop based on the venue for each event (four Commissioners and Executive Officer to attend the Annual Conference and two staff members to attend the Staff Workshop).

Training (5733)

Appropriation of \$250 for educational classes, workshops, or training related to LAFCo or CEQA.

Fiscal Office Specialist (5810)

Appropriation of \$988 for a County Fiscal Office Specialist to process LAFCo accounts receivable, accounts payable, and payroll.

Corodata Records Storage (5218)

Appropriation of \$700 for offsite records storage.

Graphics/GIS (5848)

Appropriation of \$1,500 for GIS and other mapping services for LAFCo studies and sphere updates.

Consulting (5858)

No appropriation for consulting recommended at this time.

GIS Mapping (5861)

Appropriation of \$1,000 for special work completed by ISD/Public Works GIS mapping related to LAFCo applications or studies.

Controller Admin. (5872)

Estimated Cost of \$1,982 for administering the apportionment and collection of LAFCo budget to County, cities, and independent special districts.

Telephone (6712)

Telephone charges of \$500 for Executive Officer and Management Analyst phone lines.

Other Information Services Department (ISD) Services (6713)

An estimate of \$8,443 for computer support, connectivity, etc.

Rent (6714)

Rent charges of \$12,925.

General Liability & Bond Insurance (6725)

Estimated Appropriation of \$4,591 for insurance through SDRMA and employee bond insurance with the County of San Mateo.

County Counsel (6732)

Appropriation of \$30,000 for County Counsel charges. This appropriation is based on requirement for indemnification by applicants for all annexation/reorganization proposals.

A-87 Charges (6821)

Indirect charges such as Human Resources, County Manager, are \$6,640. A-87 is an Office of Management and Budget (OMB) circular or guideline that sets forth principles and standards for the determination of costs applicable to programs funded externally such as Federal and State governments. Also referred to as the Countywide Cost Allocation Plan, the County uses A-87 guidelines to obtain reimbursement from Federal, State, and non-General Fund programs for departments that do not charge directly for services rendered. For example, the Controller's Office does not charge departments for payroll services. However, the cost of providing payroll services to Non-General Fund Departments and programs receiving external governmental funds for this specific purpose is recovered through A- 87.

Reserve (8612)

Amount of \$14,838 in reserve for unanticipated expenditures, historically set at 3 percent of gross appropriations. Commission authorization is required to spend reserve.

LAFCo Recommended Proposed 2018-19 Wednesday, April 11, 2018		Adopt.Sept. Revised 2015-16	Final Actual 2015-16	May Adopted 2016-17	Adopt. Sept. Revised 2016-17	Final Actual 2016-17	Adopt. Sept. Revised 2017-18	Est. Actual 2017-18	Proposed Draft 2018-19
4111	Salary & Benefits Executive Officer	223,164	223,164	222,349	222,349	222,349	231,706	231,706	234,430
4111	Salary & Benefits Executive Secretary	54,000	48,000	45,203	45,203	45,203	45,416	36,683	0
	Management Analyst								156,101
4141	Admin. Leave Cash Out (E.O.)	6,000	5,900	6,000	6,000	4,418	6,000	4,500	6,000
4161	Commissioner Compensation	4,800	3,800	4,800	4,800	4,600	4,800	4,300	4,800
	SALARIES & BENEFITS	287,964	259,835	278,352	278,352	270,802	287,922	277,189	401,331
	SERVICES & SUPPLIES								
	<i>Refund County overpayment in 2014-15</i>	<i>12,416</i>	<i>0</i>	<i>0</i>	<i>12,416</i>	<i>0</i>	<i>12,416</i>	<i>12,416</i>	
5191	Outside Printing (other special printing)	1,000	0	1,000	1,000	0	1,000	0	1,000
5193	General Office Supplies	500	0	500	1,000	1,488	500	500	500
5196	Photocopy - in-house copier	500	0	500	1,000	1,000	500	500	500
5197	Postage & Mailing Service	1,500	248	1,500	1,500	856	1,200	800	1,200
5212	Computer Equipment under \$5,000		0		1,278	1,278	0		0
5331	Memberships (CALAFCO/CSDA)	6,649	6,637	7,100	7,100	7,095	7,628	7,573	7,714
5341	Legal Advertising	1,500	737	1,500	1,500	753	1,500	500	1,500
5712	Mileage Allowance/Motor Pool	250	0	250	250	0	250	200	250
	Video Recording Comm. Meetings						2,000	2,000	2,000
5721	Meetings & Conferences	8,000	5,781	8,000	8,000	7,052	8,000	8,000	9,000
5733	Training	250	-	250	250	98	250	250	250
5810	Fiscal Office Specialist	988	-	988	1,976	1,976	988	988	988
5218	Corodata Records Storage	200	193	200	200	178	500	500	700
5848	Graphics	4,500	-	4,500	4,500	50	1,500	-	1,500
5858	Consulting	16,557	16,557	60,000	60,000	56,683	12,317	13,395	-
5861	GIS Mapping	2,500	-	2,500	2,500	-	1,000	-	1,000
5872	Controller Admin**	1,660	1,660	1,641	1,641	1,641	1,982	1,982	1,982
6712	Telephone	500	352	500	500	367	500	400	500
6713	ISD (Automation Services)	8,377	5,354	8,377	8,377	6,055	8,073	8,073	8,443
6714	Rent	3,540	-	3,540	5,406	5,406	12,925	12,925	12,925
6722	Countywide Security and HR	90	88	53	53	84	90	90	90
6725	Gen'l Liability & Bond Ins.	4,651	3,299	5,387	5,387	3,621	4,237	4,237	4,591
6732	County Counsel	30,000	11,215	30,000	30,000	4,478	30,000	20,000	30,000
6821	A-87 Charges	5,178	4,657	6,193	6,193	6,193	10,250	10,250	6,640
	Subtotal Appropriations	399,270	316,613	422,831	440,379	377,154	407,528	382,768	494,604
8612	Reserve 3%	11,978	-	12,685	13,211	-	11,484	-	14,838
	<i>Special Reserve</i>	<i>65,000</i>	<i>-</i>	<i>14,714</i>	<i>40,000</i>	<i>-</i>	<i>73,559</i>	<i>-</i>	<i>-</i>
	Total Appropriations Budget	476,248	316,613	450,230	493,590	377,154	492,571	382,768	509,442
	Revenues								
	Fund Balance**	111,331	111,331	98,986	151,888	151,888	108,258	108,258	102,803
	Unanticipated Rev-Env. Review Fee								
	Application Fees	30,000	22,253	30,000	30,000	21,822	30,000	23,000	30,000
	Intergov. Rev. (County/City/Dist)	334,917	334,917	321,244	311,702	311,702	354,313	354,313	376,639
	Total Revenues	476,248	468,501	450,230	493,590	485,412	492,571	485,571	509,442
	County/City/District One-third Apportionment	111,639	111,639	107,081	103,901	103,901	118,104	118,104	125,546